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FISCAL IMPACT STATEMENT

LS 7470

BILL NUMBER: SB 535

NOTE PREPARED: Feb 19, 2009

BILL AMENDED: Feb 12, 2009

SUBJECT: Indiana Public Retirement System.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR: Rep. Niezgodski

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill: (A) establishes the Indiana Public Retirement System (System) to administer and manage the following: (1) the Public Employees' Retirement Fund (PERF); (2) the Teachers' Retirement Fund (TRF); (3) the Judges' Retirement Fund; (4) the Prosecuting Attorneys Retirement Fund; (5) the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Fund; (6) the 1977 Police Officers' and Firefighters' Pension and Disability Fund; (7) the Legislators' Retirement System; (8) the Pension Relief Fund; (9) the Special Death Benefit Fund; and (10) the State Employees' Death Benefit Fund;

(B) creates a seven-member board of trustees for the system (board) consisting of six members appointed by the Governor and the director of the Budget Agency (or designee) serving as an ex officio voting member;

(C) requires a trustee to complete annually at least 12 hours of trustee education;

(D) provides that the board's powers and duties are the combined powers and duties of the PERF and TRF boards;

(E) provides that each retirement fund continues as a separate fund managed by the board;

(F) provides for a director of the system who is appointed by and serves at the pleasure of the board;

(G) requires the director to employ managers for PERF and TRF;

(H) allows the director to employ managers for one or more of the other public retirement funds of the system;

(I) eliminates the Treasurer of State as the treasurer of PERF and reassigns the treasurer's duties to the board and director of the system;

(J) makes conforming and technical corrections; and

(K) repeals provisions that establish the PERF and TRF boards and the Treasurer of State's role as PERF treasurer.

Effective Date: July 1, 2009.

Explanation of State Expenditures: The impact of this proposal on the pension funds will depend upon complete implementation and the extent to which economies are achieved, both in lowering administrative and investment costs, along with generating higher investment returns. A consulting firm retained by PERF and TRF estimated a one-time administrative cost savings of \$8.9 M and recurring annual savings of \$1.2 M with combining the administration of both of the funds.

The table below shows the administrative and investment expenses for PERF and TRF for FY 2008.

FY 2008 Expenses	PERF	TRF
Administrative	\$24.96 M	\$6.91 M
Investment	\$67.44 M	\$26.44 M
Total	\$92.40 M	\$33.35 M

Explanation of State Revenues: The pooling of assets also could generate higher investment returns and lower investment costs for the pension funds. PERF and TRF estimate that the pooling of assets could generate 0.2% increase in annual investment returns, equivalent to approximately \$60.5 M in incremental annual investment returns.

The bill eliminates one Executive Director position and reduces the number of overall trustees. PERF and TRF have estimated this savings at \$0.2 M per year.

Explanation of Local Expenditures: The bill may also provide some administrative efficiencies to local employers.

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF.

Local Agencies Affected: Units with members in PERF and school corporations with members in TRF.

Information Sources: Terry Magid, Executive Director of PERF, 317-234-4375; Steve Russo, Executive Director of TRF, 317-232-3864.

Fiscal Analyst: James Sperlik, 317-232-9866.